# STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS **SECURITIES DIVISION**

IN THE MATTER OF DETERMINING whether there has been a violation of the Securities Act of Washington by:

Order Number S-08-167-10-CO01

CONSENT ORDER

Wildflower, LLC and Raymond J. Goad,

Respondents

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## INTRODUCTION

On April 19, 2010, the Securities Administrator of the State of Washington issued Order Number S-08-167-10-SC01, Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist and to Impose a Fine against Respondents, Wildflower, LLC and Raymond J. Goad. Pursuant to the Securities Act of Washington, chapter 21.20 RCW, the Securities Division of the Department of Financial Institutions ("Securities Division") and Respondents, Wildflower, LLC and Raymond J. Goad, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law stated below.

#### FINDINGS OF FACT

### Respondents and Related Company

1. Wildflower, LLC ("Wildflower") held itself out as a Nevis, West Indies limited liability company that was a passive offshore investment company. From at least 2002 until 2006, Wildflower did business in Dallas, Texas.

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DEPARTMENT OF FINANCIAL INSTITUTIONS **Securities Division** PO Box 9033 Olympia, WA 98507-9033 360-902-8760

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- 2. Wildflower Resort Company is a Delaware corporation that was incorporated on November 16, 2001. Wildflower Resort Company was formed by Wildflower to acquire and to hold 100% of the interest in a 99-year land lease for a 1,000-acre Estes Park Peninsula resort site in Grand Prairie, Texas. From 2001 through 2006, Wildflower Resort Company had its principal place of business in Dallas, Texas. On November 6, 2006, Wildflower Resort Company filed for Chapter 11 bankruptcy in the Northern District of Texas (Dallas).
- 3. Raymond J. Goad ("Goad") was the President and the Chief Executive Officer of Wildflower and Wildflower Resort Company. Goad was also an attorney who was licensed to practice law in the State of Washington from 1975 until June 12, 2006. Goad chose not to renew his license and to become an inactive member of the Washington State Bar Association ("Bar Association"). His license to practice law was suspended by the Washington State Bar Association for non-payment of the annual licensing fees.

## "Wildflower Resort" Project

4. Respondents, Wildflower and Goad, each represented to prospective Wildflower investors that Wildflower was going to develop and own the "Wildflower Resort," a conference resort property that would own a luxury 500-room hotel, a conference center, two eighteen-hole golf courses, and 300 luxury villas. Wildflower and Goad each represented that investors would receive a "time share" interest in one of the luxury villas. Wildflower and Goad each represented that Goad had specialized experience with hotel financing transactions and prior experience with making securities registration filings for a multimillion dollar hotel company.

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CONSENT ORDER

## Offer and Sale of a Wildflower Investment

5. During 2002, Respondents, Wildflower and Goad, offered and sold more than \$90,000 worth of "preferred stock" in Wildflower to a Washington investor. The investor purchased the "preferred stock" for their IRA account.

# Misrepresentations and Omissions

- 6. When offering and selling the Wildflower investment to the Washington investor, Respondents, Wildflower and Goad, each misrepresented to the investor that Wildflower would be starting resort construction sometime soon and that the investment would be a safe investment for retirement funds.
- 7. When offering and selling the Wildflower investment to the Washington investor, Respondents, Wildflower and Goad, each failed to disclose to the investor that a limited liability company generally does not issue stock, but instead issues membership interests that have special tax consequences.

  Wildflower and Goad each failed to disclose to the investor the type of "preferences" that the investor would receive for her investment.
- 8. When offering and selling the Wildflower investment to the Washington investor, Respondents, Wildflower and Goad, each failed to disclose significant risks of the investment. Wildflower and Goad each failed to disclose to the investor the expected use of the investor's funds. Wildflower and Goad each failed to disclose to the investor that the investment might be illiquid and nontransferable. Wildflower and Goad each failed to disclose that it would cost a minimum of \$200 million to build the proposed resort and that an investor could lose their entire investment if Wildflower did not raise enough money to build the resort. Wildflower and Goad each failed to disclose that prior developers, including one developer that Goad had previously worked for, had tried to develop a resort at the same location and that each developer

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had been unsuccessful. Wildflower and Goad each failed to disclose that Wildflower would not own the lease for the land where the "Wildflower Resort" was to be constructed.

9. Wildflower and Goad each failed to give the investors any financial statements for Wildflower. Wildflower and Goad each failed to disclose that the price of the "preferred stock" was an arbitrary amount that had no relationship to the value of the company or the investment.

10. Wildflower and Goad each failed to disclose to the investor that Goad had previously been engaged in the business of real estate development and had issued to more than five investors more than \$300,000 worth of promissory notes with annual interest rates ranging from 20% to 30% and was unable to repay the notes. The notes were to have been repaid from the development and sale of various real estate projects. Wildflower and Goad each failed to disclose to the investor that Goad had been unable to sell the real estate development projects and that Goad had filed for personal bankruptcy in 1999.

Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

#### CONCLUSIONS OF LAW

- 1. The offer and sale of the Wildflower investment described above constitutes the offer or sale of a security, as defined in RCW 21.20.005(10) and (12), whether in the form of stock, an investment contract, or risk capital.
- 2. As set forth above in the Findings of Fact, Respondents, Wildflower and Goad, have each offered and sold unregistered securities in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.
- 3. As set forth above in the Findings of Fact, Respondents, Wildflower and Goad, have each made untrue statements of material fact or omitted to state material facts necessary in order to make the

statements made, in the light of the circumstances under which they are made, not misleading, in violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington. **CONSENT ORDER** Based upon the foregoing and finding it in the public interest: IT IS AGREED AND ORDERED that Respondents, Wildflower, LLC and Raymond J. Goad, and their agents and employees each shall cease and desist from offering or selling securities in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington. IT IS FURTHER AGREED AND ORDERED that Respondents, Wildflower, LLC and Raymond J. Goad, and their agents and employees each shall cease and desist from offering or selling securities in violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington. IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Order. IT IS FURTHER AGREED that in consideration of the foregoing Respondents, Wildflower, LLC and Raymond J. Goad, each hereby waive their rights to a hearing in this matter and to judicial review of this order. WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE. SIGNED this \_\_\_\_28th\_\_\_\_\_ day of \_\_\_\_\_\_June\_\_\_\_\_\_\_, 2010 Signed by: Wildflower, LLC By /s/ Raymond J. Goad\_ Raymond J. Goad, President DEPARTMENT OF FINANCIAL INSTITUTIONS CONSENT ORDER 5 **Securities Division** PO Box 9033 Olympia, WA 98507-9033

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1	Signed by:
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3	/s/ Raymond J. Goad Raymond J. Goad, individually
4	Raymond J. Gold, marvidually
5	SIGNED and ENTERED this 1 <sup>st</sup> day of July, 2010
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9	SUZANNE E. SARASON
10	Chief of Enforcement
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15	Enforcement Attorney
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23	CONSENT ORDER 6 DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division